

TWINNING CONTRACT

Support to the Statistics

Kosovo



MISSION REPORT

on

**2.3.1.3 Support to implementation of Action Plan for National
Accounts with special focus on Quarterly National Accounts**

Component no 2 National Accounts

Mission carried out by
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IPA 2012

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List of Abbreviations

ANA	Annual National Accounts
BoPs	Balance of Payments
BEC	Big Economic Categories
CBK	Central Bank of Kosovo
CFC	Consumption of Fixed Capital
CPI	Consumer Price Index
ESA 95	European System of Accounts 95
ESA 2010	European System of Accounts 2010
EU	European Union
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFC	Government Final Consumption
HFC	Households Final Consumption
IC	Intermediate consumption
IMPI	Import Price Index
IPA	Instrument for Pre-accession Assistance
IMF	International Monetary Fund
IT	Information Technology
LFS	Labour Force Survey
QNA	Quarterly National Accounts
QGDP	Quarterly GDP
KAS	Kosovo Agency for Statistics
MoU	Memorandum of Understanding

NA	National Accounts
NACE rev.1	Nomenclature statistique des activités économiques dans la Communauté européenne, revision 1
NACE rev.2	Nomenclature statistique des activités économiques dans la Communauté européenne, revision 2
NAD	National Accounts Department
NPISHs	Non-Profit Institutions Serving Households
NOE	Non-Observed Economy
NGOs	Non-governmental organisations
PPI	Producer Price Index
R&D	Research and development
SIDA	Swedish International Development Cooperation Agency
SBS	Structural Business Survey
STS	Short term statistics
SUTs	Supply and Use Tables
ToRs	Terms of Reference

Executive Summary

The present mission carried out under component 2 – *National accounts* of the twinning project had as main objectives to analyse the first estimates of quarterly GDP (QGDP) by production and expenditure approaches, at current and constant prices, for the years 2010-2013, to support KAS for the estimation of the QGDP of the first quarter 2014 and for the preparation of the first publication in this field.

During this year, KAS implemented quarterly GDP (QGDP) by production and expenditure approaches in the frame of IPA 2011 project. A time series was built for the years 2010-2013 based on annual data and the available statistical and administrative data sources. The estimation of QGDP for the first quarter 2014 was based on the methodology developed during the project.

During the present mission, the estimates of QGDP 2010-2013 by production and expenditure approaches, at current and constant prices were analysed and finalised, with a special attention for the balancing of the two approaches. The estimation of the first quarter 2014 was realised based on the available data sources, means turnover of enterprises provided by Tax Authority, financial statements of financial units (Central Bank, other commercial banks, and insurance companies) and monthly and quarterly statistical data (prices as PPI, CPI and agriculture prices). The quality of quarterly estimates of GDP depends on availability and reliability of data sources. In Kosovo is a huge lack of statistical sources on quarterly basis; any information concerning agriculture, manufacturing, construction and services production is available. The turnover data provided by Tax Authority is the only which can be used, in present, for quarterly estimates of non-financial units indicators. For this reason, it was strongly recommended that KAS makes more efforts in the near future for the improvement of short term statistics (STS).

The first release of QGDP was prepared during the mission; data was published on 5th December 2014. KAS will continue to publish in a regular basis, the quarterly estimates of 2014 intends to publish the next quarters of 2014 until June 2015. These data should be considered as provisional; the annual estimates of GDP will be revised and improved and this will have impact in the quarterly data.

1. General comments

This mission report was prepared within the Twinning Project „Support to Statistics”. The objectives of the mission were to support KAS for the estimation of QGDP 2010-I quarter 2014 by production and expenditure approaches, at current and constant prices and for the preparation of the first publication in the field.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, KAS or Statistics Denmark and our implementation partners(NI-CO / Statistics Finland / Istat / Statistics Lithuania).

2. Assessment and results

2.1 QGDP 2010-2013

The estimation of QGDP was started in the frame of IPA 2011 project (carried out in the period September 2012-March 2014). For building up the methodology of QGDP estimation the following activities were developed:

- Analysis and collection of statistical and administrative data sources, in quarterly basis for the years 2010-2013, years for which annual GDP is available by production and expenditure approaches;
- Estimation of QGDP for this period, in current and constant prices, based on available sources and analysis the discrepancies between the results obtained and the annual estimates;
- Balancing the QGDP with annual data and improvement of the estimation methodology.

The available administrative and statistical data sources in quarterly basis were review during the mission. In the statistical system few sources are available:

- Quarterly hotel statistics(number of tourists, nights spend) with data starting from 2009;
- Quarterly LFS, starting with 2012;
- Quarterly transport indicators as passengers-km and tone- km;
- Statistical data concerning the prices (Producer Price Index (PPI), Consumer Price Index (CPI), Import Price Index (IMPI) and agriculture prices (for output and inputs).

The administrative sources are:

- Data from Tax Authority concerning the turnover and the purchases of enterprises (purchases for intermediate consumption and purchases for investment) ;
- Administrative data from big companies with activity in the production and distribution of electricity, post activity, air transport;
- Financial statements of banks and insurance companies;
- Government revenues and expenditures.
- The starting activity for the QGDP implementation was to “quaterlize” the annual data of GDP by production and expenditure approaches and to build a short time series, useful to define the estimation methodology.

The estimation of gross Value Added (GVA) of non-financial units for the period 2010-2013 was based mainly on data from Tax Authority concerning the turnover. The share of intermediate consumption in output, by activity from annual estimates was applied to quarters. The output and intermediate consumption of financial units and of government were estimated directly, based on data provided by Central Bank of Kosovo and by Ministry of

Finance. Due to the lack of data sources, some activities of GDP by production approach have been distributed among quarters in a linear way; there are the cases of insurance, imputed rent, and services provided by non-profit institutions serving households (NPISHs).

An important problem, due to the lack of data, was the estimation of agriculture indicators. In KAS and also in the Ministry of Agriculture it is any information on quarterly basis. The distribution of the output and IC by quarters was based on information from Macedonia and Albania national accounts, having as main assumption that the agriculture activity in Kosovo is similar with those in the other two neighbouring countries

Some components of QGDP 2010 -2013 by expenditure approach have been estimated in a direct way following the same methodology as for annual; is the case of GFCF, the Final consumption of government, imports and exports of goods and services. The Final consumption of NPISHs was allocated by quarters in the same way as the corresponding output. Due to the lack of quarterly data necessary for the estimation of final consumption of household, the commodity flow method was developed and applied for the calculations.

The constant prices were estimated using the average price of the previous year. The corresponding PPI, CPI and IMPI have been used in the calculations.

During the mission an intensive activity was developed to balance each QGDP for the period 2010-2013 by production and expenditure approaches, at current and constant prices. It was observed that the differences of the two approaches were small in current prices (especially for 2013), but quite significant in constant prices. The differences have been analysed and eliminated based on the evolution of indicators.

2.2 QGDP for the first quarter 2014

The QGDP for quarter I of 2014 was estimated based on available sources and the methodology developed.

- Agriculture indicators were estimated based on the data of the corresponding quarter of the previous year and the agriculture output prices, having the assumption that the volume was constant.
- The quarterly output in current prices of Mining, Manufacturing and Services sectors was estimated based on turnover. The quarterly growth rate was applied to the output of the first quarter 2013, at 2 digits level of NACE rev.1 classification. When implausible results have been obtained, the output was estimated based on the corresponding PPI, having the assumption that the real growth rate is 100%. The intermediate consumption was estimated using the same ratio of I/O as the corresponding quarter of the previous year.
- The construction output was estimated following the annual estimates, based on the input method.

- Financial activity was directly estimated based on monthly data provided by Central Bank following the same methodology as in annual calculations. The constant values were estimated using the corresponding CPI. FISIM was calculated following the annual methodology and was allocated to the users.
- The output of government was estimated based on cost approach, using the detail information from Ministry of Finance.
- Due to the lack of any information concerning the NPISHs, the output was estimated based on corresponding CPI and considering the real growth rate at the same level as previous year.

QGDGP by expenditure approaches was estimates as following:

- Households Final Consumption (HFC) was estimated based on the commodity flow approach, due to the lack of quarterly data. From the SUTs 2007, the share of HFC in the total production was calculated and applied to quarterly data of production. The calculations were made for the following big categories of consumption: Consumptions of goods from trade activity; Consumption of agriculture goods from own account production; Hotel and restaurant; Transport; Financial services (including FISIM and insurance) and other services (health, education and other services for population). The constant prices estimation of HFCE was based on deflation using the corresponding CPI.
- The other GDP elements (Final consumption of Government, GFCF, import and export of goods and services) were directly estimated, using the same methods as in annual calculations.
- The changes in inventories were firstly estimated at the same level as the corresponding quarter of the previous year, and adjusted in the balancing procedure.

The unbalancing between the two approaches was not big, less than 2%; the adjustments were made especially for the expenditure approach, in the HFC and changes in inventories.

2.3 Transition to NACE rev.2

The calculations for QGDGP started one year ago, based on NACE rev.1. KAS implemented the new classification NACE rev.2 after September 2014. At the end of November, this year, KAS published GDP by production approach based on NACE rev. 2 for the period 2008-2013. In this condition, all calculations of quarterly data made based on NACE rev.1 have been revised and translated to NACE rev.2. The same translation tables (see the report of the mission carried out 25-28 August 2014) used for annual data were applied for quarterly estimates.

2.4 Press release

The first press release concerning QGDGP was elaborated during the mission. Methodological notes have been elaborated in order to explain to the users the main data sources and methods

used. The details of data presentation have been decided together with NAD staff and management and taking into accounts the practices in the neighbouring countries.

3. Conclusions and recommendations

Implementation of QGDP was a very important and welcomed decision taken by KAS. A sustainable effort was deployed to achieve this objective. The published data represents the first estimates of QGDP and further improvements are necessary.

It was strongly recommended to improve the estimation of agriculture indicators. It is necessary investigate other administrative sources in this filed, as for example the Veterinary Agency (to obtain some information about the number of animals) or some professional associations (as milk processors).

The weak point of the estimates of GDP by expenditure approach is the change in inventories; this problem is not only for quarterly, but also for annual data. It is necessary to develop a methodology for the estimation of change in inventories, based on the analysis of the existing data sources.

The estimation of quarterly indicators of non-financials units is based almost in totality (except electricity production) on turnover data. The analysis of data for the first quarters 2013 and 2014 put in evidence inconsistencies for some activities. As example, in activity 26 *"Manufacture of other non-metallic mineral products"*, the turnover in the first quarter 2014 is double in comparison with the first quarter 2013 (22.6 million euros and 44.6 million euro in 2014); and the examples can continue for more than 15 activities. For this reason, it was strongly recommended to develop an operating procedure in order to deeply analyse the evolution of the big enterprises (by NACE code, at least at two digits level) which ensure more than 75% of the total turnover. In this way, the discrepancies of the turnover from one quarter to another can be known and explained (if there are real) or eliminated (if there are due to the misclassifications of the units).

In present, based on the Protocol signed with Tax Authority, KAS receives in a regular basis, the individual data of enterprises. But, these data are collected and processed by only one person, which belongs to the Economic department. It is recommended that the staff National Accounts Department has direct access to Tax Authority data and to use them in line with their needs.

Annex 1: ToRs



EU Twinning Project

KS12 IB ST 01

Support to Statistics

Terms of Reference:

Component 2: National Accounts

Activity 2.3.1.3: Support to implementation of Action Plan for National Accounts with special focus on Quarterly National Accounts

Scheduling:

Tor –ready date: 20 November 2014

Start / end of activity: 1-5 December 2014

Reporting time: 12 December 2014

Mandatory result of the component:

Mandatory Result	Intervention logic	Benchmarks	Sources of information	Assumptions
2.3	Support to implementation of Action Plan for National Accounts with special focus on Quarterly National Accounts	<ul style="list-style-type: none"> Mission report uploaded on project homepage Roadmap detailing the implementation of the action plan with special focus to Quarterly National Accounts agreed Timeline for implementation of QNA developed and discussed 	<ul style="list-style-type: none"> Twinning quarterly reports Mission Report Updated action plan 	<ul style="list-style-type: none"> Sufficient absorption capacity Low turn-over of staff involved in implementation Staff works on project related tasks in between missions Access to accurate primary

				statistics <ul style="list-style-type: none"> • A detailed Terms of Reference is developed in a timely manner detailing tasks (input), expected output, participants of the activity and agenda
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Subject / purpose of activity: 2.3.1.3 activity

Consultations with unit of National Accounts.

The road map for National Accounts found in table 2 in the mission report from activity 2.1.1 (Assessment and update of Action Plan) by Graversen and Ungureanu details a number of required steps (2.1 to 2.7) in order to accomplish regular publishing of quarterly national accounts. This activity is one of a number of activities designed to support the steps described in the updated action plan.

Implementing quarterly national accounts during 2014 is an ambitious undertaking. The activity should therefore help detailing the steps that needs to be carried out and help KAS get an increasingly accurate estimate of the required resources and necessary prioritisations.

Expected output of activity 2.3.1.3:

Mission report. Analysis of QGDP estimates for the period 2010-2012 and recommendations for the publishing of Quarterly National Accounts.

Practical training on job for QGDP publishing

KAS resources:

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Description of the background for the activity

The 2012 Adapted Global Assessment report (AGA) prepared by Eurostat states the following about National Accounts (p.53-54): In 2010 KAS prepared with IPA support an “Action Plan for compiling and publishing comprehensive statistics on National Accounts and labour market”. That Plan is in principle a useful instrument to organize the future development of National Accounts together with the development of standards and sources that are needed for the enhancement of coverage and improvement of National Accounts data.

The AGA further states that KAS is encouraged to produce experimental estimations of quarterly GDP from the production and the expenditure side. The National Accounts division needs to be provided with data of high quality from various statistical areas, and in particular from business statistics.

The Twinning Mission Report on Assessment and update of action plan (Ivan-Ungureanu and Graversen, Statistics Denmark) says that KAS develops an intense activity for the implementation of quarterly national accounts. The activity started at the beginning of 2013, in the frame of IPA 2011 multi beneficiary programme. The implementation process began with the estimation of QGDP by production and expenditure approaches for the years 2010-2012, for which annual data are available. The analysis of the results will be used to define a methodology of the QGDP estimation in real time, based on the available data sources..

This mission of the KAS Twinning Project support this work with an activity to finalize the estimates for 2010-2013 and first quarter 2014 of quarterly national account and to publish the data at the end of 2014.

The expected activities are:

- Analysis of the QGDP for the period 2010-2012 in current and constant prices
- Support KAS to finalize the estimates for 2013
- Support KAS to prepare the first publication for quarterly GDP

Expected output:

- Mission report – according to template
 - QGDP 2010-2013 at current and constant prices ready to be published
- Recommendations for further activities for QGDP implementation process

Annex 1. Programme, - December 2014

Day	Place	Time	Event
1	KAS	09:00	Planning the week
		09:30	Assessment of QGDP 2010-2012, at current and constant prices
		10:30	Coffee break
		11:00	Assessment of QGDP 2010-2012, at current and constant prices- continuation
		12:00	Lunch break
		13:15	Assessment of QGDP 2010-2012, at current and constant prices- continuation
		14:30	Coffee break
		15:00	Assessment of QGDP 2010-2012, at current and constant prices- continuation
		16:30	Preliminary conclusions
2	KAS	09:00	Estimates of QGDP 2013, by production and expenditure approaches, at current and constant prices
3	KAS	09:00	Estimates of QGDP 2014, first quarter, by production and expenditure approaches, at current and constant prices
4	KAS	09:00	Preparing to publish QGDP estimates by production and expenditure approaches for the period 2010-2013 and IQ 2014 in current and constant prices
5	KAS	09:00	Preparing to publish QGDP estimates by production and expenditure approaches for the period 2010-2013 and IQ 2014, in current and constant prices
		10:30	Coffee break
		10:00	Any other business
		12:00	Lunch break
		13:15	Debriefing: Experts, Component Leader and RTA

Annex 2. Persons met

KAS:

National Accounts

Ilir Berisha, director of Economic Direction,

Xhevrie Fetahu, head of National Accounts Department,

Ylli Shala, Ilir Mazrekaj, Emine Bajrami Florije Krap, Nysret Sylejmani, Besim Mehmeti

RTA Team:

Per Knudsen, RTA

Nora Zogaj, RTA Assistant